3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

435 465 to increase wages. But it was recognized that the Federation of Trade Unions could terminate the Agreement, and demand higher wages, if at any time the cost-of-living index should rise more than 10 per cent above the wage-rate index. Actually this state of affairs occurred within three months, but currency reform was then imminent, and the trade unions decided to continue the Agreement. In the end it lasted for just over a year and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an additional 15 per cent, and the Government was anxious to abolish some of its food subsidies, a procedure which would have the effect of raising it still farther. There had, however, been some progress towards economic recovery, and the national income was rising. In order that wage rates should keep pace with these two tendencies, the Second Price–Wage Agreement was made in September 1948. Government subsidies for meat, milk, and fats were removed. At the same time wages and salaries were increased by 6 per cent. A flat-rate food bonus of thirty-four schillings a month was given to every employee by his employer, and a family allowance of twenty-three schillings a month was paid for every child by the State. The policy of equalizing incomes was much less marked than in the First Agreement, but the introduction of the flat-rate bonus carried the levelling process one step farther.

The Third Price–Wage Agreement of May 1949 was due to the danger of a serious budget deficit. It was a much more complicated measure than the first two and involved the introduction of additional taxes and of an important piece of social legislation.

Railway and tram fares, postal charges and the cost of gas and electricity were all increased. Social insurance contributions were raised and higher taxes imposed on income, capital, and purchases. Government subsidies on coal, potatoes, and grain were abolished.

[745] To gild the pill as far as possible and offset in some measure the rise in living costs a series of concessions were made. An adequate system of old-age pensions for workers was introduced.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

IX

Social Change

BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

During the period of transition a new social order was built up in Austria which was one of the most advanced and enlightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous.

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all.

After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

three weeks' paid holiday after five years' service and a month after fifteen years. The Agricultural Labourers' Law of June 1948 extended to workers in agriculture and forestry the conditions and privileges assured to industrial workers by previous laws. This much-needed piece of legislation is one of the most important measures that have been passed since the War. It covered labour contracts, working hours, overtime, holidays, protection against accident, employment of women, inspection of working conditions, and workers' representation. As has already been seen, the Third Price–Wage Agreement, in May 1949, introduced an adequate old-age pension scheme for workers for the first time. During the German occupation old-age pensions were covered by the Invalid Insurance, a classification typical of the National Socialist attitude towards old age. But the sum of forty marks a month paid under this system in 1945 was quite inadequate to cover the barest necessities. The new scheme provided for pensions of 282 schillings a month—a substantial improvement, even allowing for the devaluation of the schilling. This meant that wage-earners at last had a pension scheme comparable to that in force for salaried employees. A law passed one month later widened the scope of unemployment insurance to include certain categories that had previously been left out and did away with the means test for those in receipt of unemployment benefit.

The Works Council Law of March 1947 was of special significance, because it took a tentative step in the direction of the system that has since become well known in Germany as *Mitbestimmung*, or co-determination, by which the workers in certain industries actually take part in the management of the concern in which they are employed. The law of 1919, which set up the Austrian Works Councils, provided that they should concern themselves with the economic, social, and cultural interests of the workers and employees. The new measure laid down that a Works Council could make suggestions and recommendations to the management of an enterprise concerning efficiency and productivity, in the general interests of

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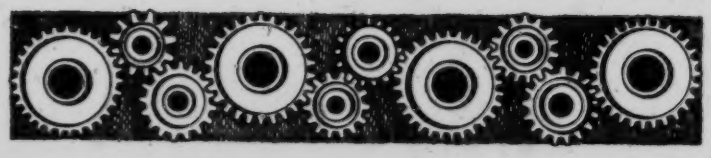


point. The banknote printing presses were stopped and national administration put on a firm footing through drastic measures of economy.

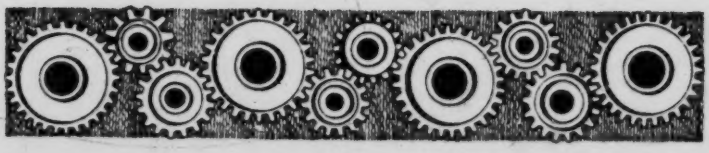
However praiseworthy the efforts which led to a balancing of the budget, the difficulties which still confronted Austrian trade remained considerable. Austria's productive capacity was far greater than its markets (which had shrunk to an eighth of their former size) could possibly absorb. As a great part of Austrian industry was devoted to manufacture, the country was dependent on the import of foreign raw materials (textile, metal and chemical raw materials, hides, furs etc.) and auxiliary materials (above all coal). On the other hand, the social services (unemployment pay, emergency aid, health insurance etc.) which were more extensive than in all the other Danube States made the costs of Austrian production comparatively high.

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural surplus-territories to rely on the import of foreign foodstuffs. These imports had to be paid for by the export of industrial goods, as had also the raw and auxiliary materials.

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connections in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these



652 the budget of Austrian administration at the end of the First Republic must be considered to have been thoroughly satisfactory. The often apparently insurmountable difficulties which confronted economic policy in those days were dealt with in such a manner that the state of Austrian trade in 1937, judged by production, income and consumption, could in every way bear comparison with that of other countries. During the whole of this period the national budget was balanced and the currency was considered to be one of the most stable in Europe. The Austrian Schilling was known in general as the "Alpendollar" on account of its stability.

653 The administration of the Federal Government as well as that of the various provincial governments was developed on the basis of a balanced economy as a framework of a general working programme. In the first place road-building was started, improvements carried out and private building activity encouraged to make investments. The number of unemployed ceased to increase and even showed a slight tendency to fall from season to season through large-scale recruiting of workers for the land. The actual unemployed were able to draw on unemployment insurance funds. Weekly payments of about 28 Schillings per person meant that even during those difficult years nobody had to suffer hunger. These social measures, passed during the first ten years of the Republic, still remain in force for the

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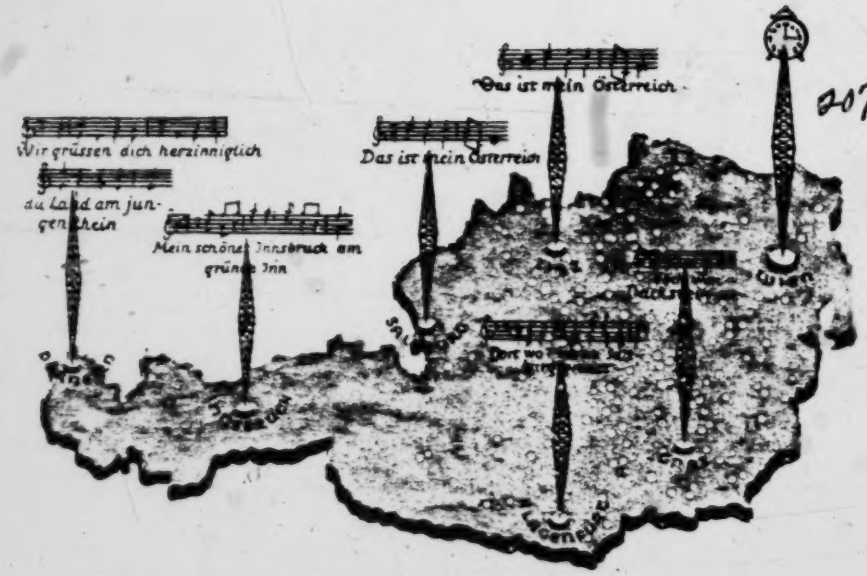
functioning of the Austrian credit system. This aim was principally served by the Bank Reopening Law and the Banknote Transition Law of July 1945. These were followed at the end of 1945 by the Schilling Law which restored the Austrian Schilling in place of the Reichsmark currency and attempted to combat symptoms of inflation (which in part had appeared before the fall of the Nazi Government) by the blocking of accounts. Two years later the Schilling Law was reinforced by the Currency Reform Law which declared forfeit the greater part of the frozen assets which had been created by the Schilling Law and changed the remaining accounts (then only partly free) into liabilities of the National Treasury. The stabilisation of the currency at which the Currency Reform Law aimed has been successful, and the Schilling has once again become a real standard of value as a result of this measure.

Apart from the prominent part they played in carrying through the currency measures, the credit institutions were naturally chiefly concerned with providing a basis for their primary economic function, that of collecting superfluous money and directing it to the most useful channels of general trade.

Progress made in both these directions, and future prospects are by no means inconsiderable. There is an obvious return of confidence in the banks. This is shown by the slow but steady increase in deposits, encouraged by re-adoption of the principle of the secrecy of bank transactions and by



Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

same opportunities of quick and cheap buying, found their receipts insufficient to replace their working capital. The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises.

Although money wages rose considerably during the inflation, they lagged greatly behind the cost of living. This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages:

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA

(1914 = 1)

	Brick-layers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age

1 [CP CAT. 116, p. 35 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 433 464 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and the flow of new money stimulated industry and quickly raised production above the stagnating post-war level. The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 433 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1